

CITY OF CENTERVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

Peak & Co., LLP
Certified Public Accountants
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Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C 17
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E 19
Notes to Financial Statements	20-28
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	30
Notes to Required Supplementary Information - Budgetary Reporting	31
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 33-34
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Internal Service Funds	2 35
Schedule of Indebtedness	3 36
Bond and Note Maturities	4 37
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	5 38
Schedule of Expenditures of Federal Awards	6 39-40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	41-42
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45-57

City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marsha Mitchell	Mayor	January, 2012
Bill McAfee	Council Member	January, 2012
Robbie Morgan	Council Member	January, 2014
Rob Lind	Council Member	January, 2012
Darrin Hamilton	Council Member	January, 2014
Wallace "Moe" Carter	Council Member	January, 2012
Kim Crego	City Clerk/Treasurer	Indefinite
Mike Craver	Attorney	Indefinite

City of Centerville

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Centerville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Centerville as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2012, on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

March 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Centerville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities increased 7%, or approximately \$285,000, from fiscal year 2010 to fiscal year 2011. Charges for services increased approximately \$134,000, and operating grants, contributions and restricted interest increased approximately \$105,000
- ❖ Disbursements of the City's governmental activities increased 15.72%, or approximately \$582,000, in fiscal year 2011 from fiscal year 2010. Public works and capital projects increased approximately \$317,000 and \$113,000, respectively.
- ❖ The City's total cash basis net assets increased 17.13%, or approximately \$661,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$69,000 and the assets of the business type activities increased approximately \$592,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds and the non-major internal service funds, as well as the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system, storm sewer, and the airport. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds, to provide separate information for the Sewer and Storm Sewer Funds, considered to be major funds of the City. The City also maintains an airport fund and maintains separate accounts which support this business activity, considered to be a non-major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2,515,633 to \$2,584,563. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30, 2011	Year Ended June 30, 2010
Receipts:		
Program receipts:		
Charges for service	\$421	\$ 287
Operating grants, contributions and restricted interest	990	885
Capital grants, contributions and restricted interest	247	171
General receipts:		
Property tax	1,848	1,776
TIF	202	303
Local option sales tax	473	526
Grants and contributions not restricted to specific purposes	55	58
Hotel-Motel tax	73	61
Bond Proceeds (net of discount)	744	-
Payment to refunding agent	(735)	-
Unrestricted investment earnings	3	12
Other general receipts	4	4
Sale of assets	53	10
Total receipts	<u>4,378</u>	<u>4,093</u>
Disbursements:		
Public safety	1,699	1,623
Public works	938	621
Culture and recreation	399	383
Community and economic development	53	14
General government	279	265
Debt service	503	496
Capital projects	414	301
Total disbursements	<u>4,285</u>	<u>3,703</u>
Change in cash basis net assets, before transfers	93	390
Transfers, net	<u>(24)</u>	<u>(24)</u>
Change in cash basis net assets	69	366
Cash basis net assets beginning of year	<u>2,516</u>	<u>2,150</u>
Cash basis net assets end of year	<u>\$2,585</u>	<u>\$2,516</u>

The City's total receipts for governmental activities increased 6.96%, or approximately \$285,000. The total cost of all programs and services increased approximately \$582,000, or 15.7% with no new programs added this year. The significant increase in disbursements was primarily due to increased spending the public works area.

The City increased property tax receipts for fiscal year 2012 an average of 4%. This increase raised the City's property tax receipts approximately \$72,000 in fiscal year 2011.

The cost of all governmental activities this year was approximately \$4,285,000 compared to approximately \$3,703,000 last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$2,628,069 because some of the cost was paid by those who directly benefited from the programs (\$420,455) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,236,481). The City paid for the remaining "public benefit" portion of governmental activities with \$2,628,069 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year Ended June 30, 2011	Year Ended June 30, 2010
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$1,359	\$1,109
Storm sewer	76	80
Airport	97	60
Capital Grants, contributions and		
Restricted interest	683	-
General receipts:		
Other general receipts	46	21
Total receipts	<u>2,261</u>	<u>1,270</u>
Disbursements:		
Sewer	831	765
Storm sewer	750	54
Airport	110	83
Total disbursements	<u>1,691</u>	<u>902</u>
Change in cash basis net assets before transfers	570	368
Transfers, net	<u>23</u>	<u>23</u>
Change in cash basis net assets	593	391
Cash basis net assets beginning of year	<u>1,344</u>	<u>953</u>
Cash basis net assets end of year	<u>\$1,937</u>	<u>\$1,344</u>

Total business type activities receipts for the fiscal year were approximately \$2,261,000 compared to \$1,270,000 last year. The significant increase was due primarily due to grant receipts of \$683,000 in the current fiscal year, which were used for storm sewer repair. The cash balance increased approximately \$593,000 from the prior year, primarily due to an increase in receipts as a result of increasing the sewer fees. Total disbursements for the fiscal year increased 87.4% to approximately \$1,691,000, primarily due to storm sewer construction.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Centerville completed the year, its governmental funds reported a combined fund balance of \$2,416,834, an increase of \$91,889 from last year's total of \$2,324,945. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance decreased \$90,435 from the prior year to \$340,641. This decrease is primarily due to the City spending more money from the General Fund than what it receives in the General Fund.
- ❖ The Special Revenue, Road Use Tax Fund cash balance increased by \$75,895 to \$213,095 as of June 30, 2011. A decrease in materials and purchase of equipment increased the cash balance in this fund.
- ❖ The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$93,504 to \$1,396,661 as of June 30, 2011. The balance in this fund will be used for various projects such as the payment of debt related to the purchase of a new fire truck, public library renovation, payments to Centerville Schools for a school project, and payments to the Appanoose County railroad which is to be used for capital projects for the railroad. The City currently has 2 bonds, one for the fire truck and one for the library, which are paid out of this fund. This fund is also accumulating resources for a pool project.
- ❖ The Special Revenue, Employee Benefits Fund cash balance decreased by \$3,509 to \$149,125 as of June 30, 2011. The decrease was due to rising employee benefits, such as an increase in the required IPERS contributions.
- ❖ The Debt Service Fund cash balance decreased by \$126,297 to (\$75,317) as of June 30, 2011. This decrease was due to transfers not being made from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Enterprise, Sewer Fund cash balance increased by \$659,010 to \$1,896,628 as of June 30, 2011, due primarily to an increase in sewer fees. This money will be used to fund major sewer upgrades.
- ❖ The Enterprise, Storm Sewer Fund cash balance decreased by \$74,603 to (\$7,621) as of June 30, 2011, due primarily to funding a big construction project during the fiscal year. It is anticipated that the balance in this fund will be positive at the end of fiscal year 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The budget amendment was approved to provide for additional disbursements in certain City departments. The budget amendment increased total disbursements by \$169,000.

In spite of this budget amendment, total disbursements in the public safety, public works, culture and recreation, and the general government functions exceeded the amounts budgeted by \$27,805, \$323,961, \$122,181, and \$21,887, respectively.

Even with the budget amendment, total disbursements were \$3,865,679 less than the amended budget. Actual disbursements for community and economic development, capital projects, and business type activities functions were \$321,998, \$585,569 and \$3,427,327, respectively, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,172,391 in bonds and other long-term debt outstanding, compared to \$1,582,723 last year, as shown below.

Outstanding Debt Year-End (Expressed in Thousands)		
	June 30, 2011	June 30, 2010
General obligation bonds	\$1,170	\$1,575
Lease-purchase agreements	<u>2</u>	<u>8</u>
Total	<u>\$1,172</u>	<u>\$1,583</u>

Debt decreased primarily as a result of refinancing debt and scheduled bond and other debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,172,391 is significantly below its constitutional debt limit of \$8,801,112.

More detailed information about the City's long-term debt is presented in Notes 3 and 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2012. Receipts are budgeted to increase by \$4,213,393. Disbursements are budgeted to increase by \$4,103,225. The majority of this increase in receipts is due to capital projects and business type receipts. The majority of the increase in disbursements is in the capital projects and business type expenses. The City has added no major new programs or initiatives to the 2012 budget. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$160,125 by the close of 2012.

In addition, the unemployment rate in the City and County is about the highest in the State of Iowa. This can be attributed to the closing of two major manufacturing plants within the past couple of years. One of the major manufacturing plants was purchased and now has approximately 50 employees. The City has received numerous grants to improve the city to include new water lines, cross walks on the square, new trails, improvements at the airport and storm sewer improvement. These new developments will hopefully spur new population, economic and employment growth in the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim Crego, City Clerk, 312 East Maple, P.O. Box 578, Centerville, Iowa 52544.

Basic Financial Statements

City of Centerville

Exhibit A

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

Functions / Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 1,699,338	219,511	237,270	6,170	(1,236,387)	-	(1,236,387)
Public works	938,389	94,687	608,625	82,693	(152,384)	-	(152,384)
Culture and recreation	398,555	55,592	133,069		(209,894)	-	(209,894)
Community and economic development	53,003	-	8,144	19,507	(25,352)	-	(25,352)
General government	278,787	43,893	2,680	-	(232,214)	-	(232,214)
Debt service	502,502	6,772	-	87	(495,643)	-	(495,643)
Capital projects	414,431	-	-	138,236	(276,195)	-	(276,195)
Total governmental activities	4,285,005	420,455	989,788	246,693	(2,628,069)	-	(2,628,069)
Business type activities:							
Sewer	830,655	1,358,120	-	82,673	-	610,138	610,138
Storm sewer	749,858	75,255	-	600,000	-	(74,603)	(74,603)
Airport	110,418	97,146	-	-	-	(13,272)	(13,272)
Total business type activities	1,690,931	1,530,521	-	682,673	-	522,263	522,263
Total	\$ 5,975,936	1,950,976	989,788	929,366	(2,628,069)	522,263	(2,105,806)
General Receipts:							
Property tax and other city tax levied for:							
General purposes					1,625,988	-	1,625,988
Debt service					221,636	-	221,636
Tax increment financing					202,070	-	202,070
Local option sales tax					473,458	-	473,458
Grants and contributions not restricted to specific purpose					55,363	-	55,363
Hotel-Motel tax					73,353	-	73,353
Bond proceeds (net of \$11,315 discount)					743,685	-	743,685
Payments to refunding bond agent					(735,000)	-	(735,000)
Unrestricted interest on investments					2,572	-	2,572
Miscellaneous					4,005	46,447	50,452
Sale of assets					53,441	-	53,441
Transfers					(23,572)	23,572	-
Total general receipts and transfers					2,696,999	70,019	2,767,018
Change in cash basis net assets					68,930	592,282	661,212
Cash basis net assets beginning of year					2,515,633	1,344,365	3,859,998
Cash basis net assets end of year					\$ 2,584,563	1,936,647	4,521,210
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 165,353	-	165,353
Expendable:							
Streets					213,095	-	213,095
Local option sales tax					1,396,661	-	1,396,661
Other purposes					424,022	-	424,022
Unrestricted					385,432	1,936,647	2,322,079
Total cash basis net assets					\$ 2,584,563	1,936,647	4,521,210

See notes to financial statements.

City of Centerville

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2011

	General	Special Revenue			Debt Service	Nonmajor	Total
		Road Use Tax	Local Option Sales Tax	Employee Benefits			
Receipts:							
Property tax	\$ 1,015,402	-	-	610,586	221,636	-	1,847,624
Tax increment financing	-	-	-	-	-	202,070	202,070
Other city tax	128,716	-	473,458	-	-	-	602,174
Licenses and permits	25,782	-	-	-	-	-	25,782
Use of money and property	5,905	-	5,736	-	87	3,487	15,215
Intergovernmental	437,060	560,071	-	-	-	132,500	1,129,631
Charges for service	148,134	-	-	-	-	-	148,134
Special assessments	-	-	-	-	-	6,772	6,772
Miscellaneous	318,086	-	-	4,002	-	15,891	337,979
Total receipts	2,079,085	560,071	479,194	614,588	221,723	360,720	4,315,381
Disbursements:							
Operating:							
Public safety	1,219,280	-	-	459,381	-	3,239	1,681,900
Public works	379,287	481,422	-	74,642	-	-	935,351
Culture and recreation	381,597	-	-	2,386	-	13,682	397,665
Community and economic development	44,625	-	-	-	-	8,378	53,003
General government	234,010	-	-	43,184	-	-	277,194
Debt service	-	-	-	-	502,502	-	502,502
Capital projects	-	-	260,402	-	-	154,029	414,431
Total disbursements	2,258,799	481,422	260,402	579,593	502,502	179,328	4,262,046
Excess (deficiency) of receipts over (under) disbursements	(179,714)	78,649	218,792	34,995	(280,779)	181,392	53,335
Other financing sources (uses):							
Bond proceeds (net of \$11,315 discount)	-	-	-	-	743,685	-	743,685
Payments to refunding bond agent	-	-	-	-	(735,000)	-	(735,000)
Sale of capital assets	53,441	-	-	-	-	-	53,441
Operating transfers in	35,838	-	-	-	145,797	-	181,635
Operating transfers out	-	(2,754)	(125,288)	(38,504)	-	(38,661)	(205,207)
Total other financing sources (uses)	89,279	(2,754)	(125,288)	(38,504)	154,482	(38,661)	38,554
Net change in cash balances	(90,435)	75,895	93,504	(3,509)	(126,297)	142,731	91,889
Cash balances beginning of year, as restated	431,076	137,200	1,303,157	152,634	50,980	249,898	2,324,945
Cash balances end of year	\$ 340,641	213,095	1,396,661	149,125	(75,317)	392,629	2,416,834
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	165,353	165,353
Restricted for:							
Streets	-	213,095	-	-	-	-	213,095
Local option sales tax	-	-	1,396,661	-	-	-	1,396,661
Other purposes	12,973	-	-	149,125	-	261,924	424,022
Assigned	242,761	-	-	-	-	-	242,761
Unassigned	84,907	-	-	-	(75,317)	(34,648)	(25,058)
Total cash basis fund balances	\$ 340,641	213,095	1,396,661	149,125	(75,317)	392,629	2,416,834

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2011

Total governmental funds cash balances (page 16) **\$ 2,416,834**

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the assets of the Internal Service Funds are included in governmental activities in the Statement of Activities and Net Assets.

167,729

Cash basis net assets of governmental activities (page 15) **\$ 2,584,563**

Net change in cash balances (page 16) **\$ 91,889**

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with governmental activities.

(22,959)

Change in cash balance of governmental activities (page 15) **\$ 68,930**

See notes to financial statements.

City of Centerville

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise				Internal Service
	Other Non-major Fund				
	Sewer	Storm Sewer	Airport	Total	
Operating receipts:					
Use of money and property	\$ -	-	28,594	28,594	-
Charges for service	1,358,120	75,255	68,552	1,501,927	369,248
Miscellaneous	-	-	-	-	126,434
Total operating receipts	1,358,120	75,255	97,146	1,530,521	495,682
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	231,222
Public works	-	-	-	-	40,286
Culture and recreation	-	-	-	-	11,827
General government	-	-	-	-	180,464
Business type activities	764,192	-	110,418	874,610	58,624
Total operating disbursements	764,192	-	110,418	874,610	522,423
Excess (deficiency) of operating receipts over (under) operating disbursements	593,928	75,255	(13,272)	655,911	(26,741)
Non-operating receipts (disbursements):					
Intergovernmental	82,673	600,000	-	682,673	-
Miscellaneous	46,447	-	-	46,447	-
Capital projects	(62,681)	(749,858)	-	(812,539)	-
Net non-operating receipts (disbursements)	66,439	(149,858)	-	(83,419)	-
Excess (deficiency) of receipts over (under) disbursements	660,367	(74,603)	(13,272)	572,492	(26,741)
Other financing sources (uses):					
Operating transfers in	-	-	24,929	24,929	-
Operating transfers out	(1,357)	-	-	(1,357)	-
Total other financing sources (uses)	(1,357)	-	24,929	23,572	-
Net change in cash balances	659,010	(74,603)	11,657	596,064	(26,741)
Cash balances beginning of year	1,237,618	66,982	2,767	1,307,367	227,686
Cash balances end of year	\$ 1,896,628	(7,621)	14,424	1,903,431	200,945
Cash Basis Fund Balances					
Unrestricted	\$ 1,896,628	(7,621)	14,424	1,903,431	200,945
Total cash basis fund balances	\$ 1,896,628	(7,621)	14,424	1,903,431	200,945

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2011

Total enterprise funds cash balances (page 18) **\$ 1,903,431**

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the assets of the Internal Service Funds are included in business type activities in the Statement of Activities and Net Assets.

33,216

Cash basis net assets of business type activities (page 15)

\$ 1,936,647

Net change in cash balances (page 18)

\$ 596,064

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with business type activities.

(3,782)

Change in cash balance of business type activities (page 15)

\$ 592,282

See notes to financial statements.

City of Centerville

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and storm sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Centerville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Centerville (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific financial burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Centerville Friends of Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Centerville Library.

The Centerville Friends of Parks has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville park system. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Centerville park system.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and the Rathbun Area Solid Waste Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable Restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and other receipts to be used for projects financed with these monies.

The Employee Benefits Fund is used to account for property tax receipts and other receipts to be used for the related payment of employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm water sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Centerville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at times during the year ended June 30, 2011, deposits in banks were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2012	\$ 180,000	26,995
2013	240,000	24,033
2014	235,000	19,760
2015	185,000	15,400
2016	190,000	10,935
2017	65,000	5,785
2018	65,000	2,925
	<u>\$ 1,160,000</u>	<u>105,833</u>

Sewer Revenue Bonds – In May, 2011 the City instituted proceedings to issue \$900,000 in Sewer Revenue Capital Loan Notes. However, as of June 30, 2011, no official documents have been signed, and no monies have been drawn down in relation to this debt. It is anticipated the City will use these loan proceeds in fiscal year 2012.

General Obligation Refunding Capital Loan Notes – in April 2011, the City issued \$755,000 of general obligation refunding capital loan notes. The City used the proceeds of the refunding notes to retire the remaining outstanding balance of the 2001 corporate purpose bonds and the 2003 capital loan notes. The City refunded the bonds and notes to reduce its total debt service payments by \$44,431 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$44,198.

(4) Lease Purchase Obligation

The City Library is purchasing office equipment under a capital lease contract. Future payments in relation to this capital lease are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2012	\$ 2,552	272	2,824
2013	2,780	43	2,823
Total	\$ 5,332	315	5,647

(5) Pension and Retirement Benefits

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$64,485, \$56,639 and \$54,426, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010 and 2009 were \$125,914, \$94,290 and \$97,269, respectively, which met the required contribution rate for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 37 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. However, for retired employees, the City will pay for 50% of the cost of the single health insurance premium to the age of 65. Retired employees have to be employed by the City for over 20 years in order to qualify for this benefit. If these requirements are met, the City and the retired employee each pay \$277.86 per month for single health insurance coverage.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$555.72 for single coverage and \$1,227.29 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$369,248 and plan members eligible for benefits contributed \$93,007 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal time	\$ 827
Compensatory time	29,138
Vacation	<u>77,491</u>
Total	<u>\$107,456</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	<u>\$ 35,838</u>
Debt Service	Special Revenue: Road Use Tax Local Option Sales Tax Urban Renewal Tax Increment Enterprise: Sewer	<u>2,754</u> <u>125,288</u> <u>16,398</u> <u>1,357</u> <u>145,797</u>
Enterprise: Airport	Special Revenue: Employee Benefits Capital Projects: Airport Construction	<u>2,666</u> <u>22,263</u> <u>24,929</u>
		<u><u>\$ 206,564</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,121 during the year ended June 30, 2011.

(10) Self-Insured Medical Plan

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and city contributions, and is administered through a service agreement with TriStar Benefit Administrators.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000, with a \$2,000,000 maximum per covered person over a lifetime. The City records the plan receipts and disbursements of the City of Centerville Health Insurance Fund as an Internal Service Fund. Monthly payments to the fund are recorded as disbursements from the operating funds.

(11) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$88,696.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contracts with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee; and airport owners liability for various coverage limits. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Deficit Balances

The Debt Service Fund had a deficit balance of \$75,317 at June 30, 2011. This deficit balance was a result of an insufficient tax levy. This deficit will be eliminated through an increase in property taxes.

The Enterprise, Storm Sewer Fund had a deficit balance of \$7,621 at June 30, 2011. This deficit balance was a result of project costs incurred prior to the receipt of a grant. This deficit will be eliminated upon receipt of a grant.

The Capital Projects, Airport Construction Fund had a deficit balance of \$34,648 at June 30, 2011. This deficit balance was a result of project costs incurred prior to a receipt of a grant. This deficit will be eliminated from a transfer from the General Fund, and receipts from a grant.

The Internal Service, Flex Plan Fund had a deficit balance of \$171 at June 30, 2011. This deficit balance was the result of employees withdrawing monies from this fund prior to monies being received into this fund from the employees paychecks.

(13) Development and Rebate Agreement

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements with an estimated taxable value of \$200,000 constructed by the developer as set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.10 of the Code of Iowa from the developer will be rebated for a period of seven years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. Future payments under the development and rebate agreement for the year ended June 30, 2012, consist of \$1,464 in principal and \$81 in interest to total \$1,545. In fiscal year 2012, this development and rebate agreement will be paid off.

During the year ended June 30, 2011, the City rebated \$7,865 of incremental taxes and \$513 in related interest to the developer. The cumulative amount rebated to the developer from March 2004 through June 30, 2011 was \$50,269.

(14) Contingency

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. During the year ended June 30, 2009, the City paid the School District a total of \$50,000 as partial settlement of the payment in lieu of tax amount. The City is still working with the School District and County in relation to this issue. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(15) Subsequent Events/Commitments

In fiscal year 2012, the City will be completing a storm sewer replacement project. This project will be funded 80% by a grant and the rest funded with cash reserves, with a contracted construction cost amount of approximately \$700,000. The construction portion of this project began in fiscal year 2012. It is anticipated that this project will also be completed in fiscal year 2012.

In fiscal year 2012, the City issued \$665,000 in General Obligation debt. This money was all used for street repair, with the project being completed in the fall of 2011.

The City instituted proceedings to issue \$900,000 in Sewer Capital Loan Notes in fiscal year 2011. It is anticipated the official documents will be signed, and that this money will be drawn down in fiscal year 2012, as work on the related construction project progresses.

The City has evaluated subsequent events through March 1, 2012, which is the date that the financial statements were available to be issued.

(16) Fund Balances

The City's restricted fund balance of \$12,973 in the General Fund as of June 30, 2011 consists of hotel/motel tax monies.

The City's assigned fund balance in the General Fund as of June 30, 2011 consists of the following:

Purpose	Amount
Fire Department	\$ 61,741
Cemetery	9,270
Crime Stoppers	4,348
Library	167,402
Total	<u>\$ 242,761</u>

(17) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications are as follows:

	General	Special Revenue -		
		Crime Stoppers	Animal Rescue	Safety
Balances June 30, 2010, as previously reported	\$ 426,983	5,074	-	-
Change in fund type classification per implementation of GASB Statement No. 54	4,093	(5,074)	756	225
Balances July 1, 2010, as restated	<u>\$ 431,076</u>	<u>-</u>	<u>756</u>	<u>225</u>

Required Supplementary Information

City of Centerville

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Less Funds not					Final to Total	
	Governmental Funds Actual	Proprietary Funds Actual	Required to be Budgeted	Total	Budgeted Amounts		Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,847,624	-	-	1,847,624	1,661,647	1,661,647	185,977
Tax increment financing	202,070	-	-	202,070	200,001	200,001	2,069
Other city tax	602,174	-	-	602,174	724,383	724,383	(122,209)
Licenses and permits	25,782	-	-	25,782	81,450	81,450	(55,668)
Use of money and property	15,215	28,594	-	43,809	30,200	30,200	13,609
Intergovernmental	1,129,631	682,673	-	1,812,304	1,972,439	1,972,439	(160,135)
Charges for service	148,134	1,871,175	369,248	1,650,061	1,538,985	1,938,985	(288,924)
Special assessments	6,772	-	-	6,772	10,824	10,824	(4,052)
Miscellaneous	337,979	172,881	126,434	384,426	86,070	86,070	298,356
Total receipts	4,315,381	2,755,323	495,682	6,575,022	6,305,999	6,705,999	(130,977)
Disbursements:							
Public safety	1,681,900	231,222	231,222	1,681,900	1,628,095	1,654,095	(27,805)
Public works	935,351	40,286	40,286	935,351	607,390	611,390	(323,961)
Culture and recreation	397,665	11,827	11,827	397,665	275,484	275,484	(122,181)
Community and economic development	53,003	-	-	53,003	375,001	375,001	321,998
General government	277,194	180,464	180,464	277,194	225,307	255,307	(21,887)
Debt service	502,502	-	-	502,502	505,121	529,121	26,619
Capital projects	414,431	-	-	414,431	1,000,000	1,000,000	585,569
Business type activities	-	1,745,773	58,624	1,687,149	5,029,476	5,114,476	3,427,327
Total disbursements	4,262,046	2,209,572	522,423	5,949,195	9,645,874	9,814,874	3,865,679
Excess (deficiency) of receipts over (under) disbursements	53,335	545,751	(26,741)	625,827	(3,339,875)	(3,108,875)	3,734,702
Other financing sources, net	38,554	23,572	-	62,126	3,500,000	3,500,000	(3,437,874)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	91,889	569,323	(26,741)	687,953	160,125	391,125	296,828
Balances beginning of year	2,324,945	1,535,053	227,686	3,632,312	3,439,818	3,439,818	192,494
Balances end of year	\$ 2,416,834	2,104,376	200,945	4,320,265	3,599,943	3,830,943	489,322

See accompanying independent auditor's report.

City of Centerville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$169,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and general government functions.

Other Supplementary Information

City of Centerville

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special			
	Urban Renewal Tax Increment	Friends of Oakland Cemetery	Canine	Special Law Enforcement
Receipts:				
Tax increment financing	\$ 202,070	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	50	7,393	1,242
Total receipts	202,070	50	7,393	1,242
Disbursements:				
Operating:				
Public safety	-	-	-	1,639
Culture and recreation	-	711	-	-
Community and economic development	8,378	-	-	-
Capital projects	-	-	-	-
Total disbursements	8,378	711	-	1,639
Excess (deficiency) of receipts over (under) disbursements	193,692	(661)	7,393	(397)
Other financing sources (uses):				
Operating transfers out	(16,398)	-	-	-
Total other financing sources (uses)	(16,398)	-	-	-
Net change in cash balances	177,294	(661)	7,393	(397)
Cash balances beginning of year, as restated	1,572	22,240	-	3,887
Cash balances end of year	\$ 178,866	21,579	7,393	3,490
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for other purposes	178,866	21,579	7,393	3,490
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 178,866	21,579	7,393	3,490

See accompanying independent auditor's report.

Revenue				Capital Projects		Permanent	Total
Safety	Animal Rescue	Library Memorial	Special Assessment	Tax Increment Financing	Airport Construction	Cemetery Perpetual Care	
-	-	-	-	-	-	-	202,070
-	-	-	-	-	-	3,487	3,487
-	-	-	-	132,500	-	-	132,500
-	-	-	6,772	-	-	-	6,772
-	1,681	-	-	-	468	5,057	15,891
-	1,681	-	6,772	132,500	468	8,544	360,720
-	1,600	-	-	-	-	-	3,239
-	-	12,671	-	-	-	300	13,682
-	-	-	-	-	-	-	8,378
-	-	-	-	132,500	21,529	-	154,029
-	1,600	12,671	-	132,500	21,529	300	179,328
-	81	(12,671)	6,772	-	(21,061)	8,244	181,392
-	-	-	-	-	(22,263)	-	(38,661)
-	-	-	-	-	(22,263)	-	(38,661)
-	81	(12,671)	6,772	-	(43,324)	8,244	142,731
225	756	12,685	-	42,748	8,676	157,109	249,898
225	837	14	6,772	42,748	(34,648)	165,353	392,629
-	-	-	-	-	-	165,353	165,353
225	837	14	6,772	42,748	-	-	261,924
-	-	-	-	-	(34,648)	-	(34,648)
225	837	14	6,772	42,748	(34,648)	165,353	392,629

City of Centerville

Schedule 2

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

As of and for the year ended June 30, 2011

	Employee Health	Flex Plan	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 369,248	-	369,248
Miscellaneous:			
Employee contributions and refunds	115,439	10,995	126,434
Total operating receipts	<u>484,687</u>	<u>10,995</u>	<u>495,682</u>
Operating disbursements:			
Governmental activities:			
Public safety	231,222	-	231,222
Public works	40,286	-	40,286
Culture and recreation	11,827	-	11,827
General government	168,805	11,659	180,464
Business type activities	58,624	-	58,624
Total operating disbursements	<u>510,764</u>	<u>11,659</u>	<u>522,423</u>
Net change in cash balances	(26,077)	(664)	(26,741)
Cash balances beginning of year	<u>227,193</u>	<u>493</u>	<u>227,686</u>
Cash balances end of year	<u>\$ 201,116</u>	<u>(171)</u>	<u>200,945</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Corporate Purpose	September 1, 2001	3.40-4.70%	\$ 1,400,000	735,000	-	735,000	-	29,201	-
Capital Loan	May 1, 2003	1.25-4.50%	1,195,000	455,000	-	50,000	405,000	19,610	-
Capital Loan	July 1, 2003	1.20-3.20%	500,000	165,000	-	165,000	-	4,112	-
Capital Loan	September 1, 2003	3.00-4.00%	700,000	70,000	-	70,000	-	2,590	-
Refunding Capital Loan	April 1, 2005	3.00-3.375%	910,000	150,000	-	150,000	-	4,875	-
Refunding Capital Loan Notes	April 19, 2011	0.75-2.00%	755,000	-	755,000	-	755,000	-	-
Total			\$ 1,575,000	\$ 1,575,000	755,000	1,170,000	1,160,000	60,388	-
Lease Purchase Agreements:									
Equipment	April 14, 2008	6.50%	\$ 12,065	7,723	-	2,391	5,332	432	-

See accompanying independent auditor's report.

City of Centerville
Bond and Note Maturities

Schedule 4

June 30, 2011

Year Ending June 30,	Capital Loan		Refunding Capital Loan Notes		Total
	Issued May 1, 2003		Issued April 19, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2012	3.75%	\$ 50,000	0.75%	\$ 130,000	\$ 180,000
2013	3.90%	55,000	1.15%	185,000	240,000
2014	4.00%	55,000	1.20%	180,000	235,000
2015	4.10%	55,000	1.70%	130,000	185,000
2016	4.25%	60,000	2.00%	130,000	190,000
2017	4.40%	65,000	-	-	65,000
2018	4.50%	65,000	-	-	65,000
		<u>\$ 405,000</u>		<u>\$ 755,000</u>	<u>\$ 1,160,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 5

Schedule of Receipts By Source and Disbursements by Function -
All Governmental Funds

For the Last Seven Years

	2011	2010	2009	2008	2007	2006	2005
Receipts:							
Property tax	\$1,847,624	1,776,026	1,908,000	1,942,462	1,882,266	1,955,748	1,724,719
Tax increment financing	202,070	302,720	-	-	-	4,983	391,046
Other city tax	602,174	645,421	594,999	563,109	620,114	502,078	401,423
Licenses and permits	25,782	29,773	29,484	28,114	67,657	66,598	71,047
Use of money and property	15,215	11,777	51,850	70,935	120,407	59,455	40,907
Intergovernmental	1,129,631	993,471	1,159,501	1,756,627	1,332,878	915,365	889,884
Charges for service	148,134	160,954	162,465	148,129	133,100	161,539	130,839
Special assessments	6,772	11,515	14,161	12,991	30,103	17,965	35,863
Miscellaneous	337,974	151,464	174,017	370,077	146,766	342,640	194,059
Total	\$4,315,376	4,083,121	4,094,477	4,892,444	4,333,291	4,026,371	3,879,787
Disbursements:							
Operating:							
Public safety	\$1,681,900	1,561,055	1,724,788	1,579,219	1,554,102	1,435,742	1,294,664
Public works	935,351	611,693	686,428	596,553	547,899	487,234	582,726
Culture and recreation	397,665	381,209	416,993	359,258	424,317	426,005	363,190
Community and economic development	53,003	13,710	13,705	38,578	178,143	366,224	259,328
General government	277,194	257,997	299,727	239,526	336,907	237,911	214,897
Debt service	502,502	495,480	693,641	562,694	784,457	772,593	820,223
Capital projects	414,431	300,675	646,584	1,191,523	850,995	279,500	769,504
Total	\$4,262,046	3,621,819	4,481,866	4,567,351	4,676,820	4,005,209	4,304,532

See accompanying independent auditor's report.

City of Centerville

Schedule 6

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
ARRA - Community Facilities Loans and Grants, Recovery Act	10.766		\$ 147,447
Community Facilities Loans and Grants	10.766		<u>2,310</u>
			<u>149,757</u>
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0302	<u>52,388 *</u>
ARRA - Recovery Act Assistance to Rural Law Enforcement to Combat Crime and Drugs: Competitive Grant Program	16.810	2009-SD-B9-0144	<u>91,040</u>
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division: Airport Improvement Program	20.106	3-19-0013-05-2010	<u>15,193</u>
Subtotal - Direct			<u>308,378</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-002	554,771
		10-ED-003	132,500
		08-DRI-269	<u>16,030</u>
			<u>703,301</u>
U.S. Department of Justice:			
State of Iowa - Governor's Office of Drug Control Policy:			
Part E - Developing, Testing and Demonstrating Promising New Programs (3,638 provided to subrecipients)	16.541	09-DEC-3190	<u>3,638</u>
Public Safety Partnership and Community Policing Grants	16.710	09-HotSpots/Enforcement 05	<u>3,994 *</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories (\$53,985 provided to subrecipients)	16.803	09JAG/ARRA-4193B	<u>143,727</u>

City of Centerville

Schedule 6

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SRTS-U-1210(610)-8U-04	<u>20,871</u>
U.S. Department of Energy:			
Office of Energy Independence:			
ARRA - Recovery Act - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	EECBG1-3304	<u>7,572</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1930-DRIA	<u>54,736</u>
Subtotal - Indirect			<u>937,839</u>
Total			<u><u>\$ 1,246,217</u></u>

* - Total for CFDA number 16.710 is \$52,388.

Basis of Presentation - The Schedule of Expenditure of Federal Awards includes the federal grant activity of the City of Centerville and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 1, 2012. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Centerville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Centerville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control that there is a reasonable possibility a material misstatement of City of Centerville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-B-11, II-C-11, II-D-11 and II-H-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-11, II-F-11 and II-G-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Centerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Centerville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Centerville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Centerville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Co., LLP
Certified Public Accountants

March 1, 2012

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
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(515) 277-3077

Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Centerville, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Centerville's major federal program for the year ended June 30, 2011. The City of Centerville's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Centerville's management. Our responsibility is to express an opinion on the City of Centerville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Centerville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Centerville's compliance with those requirements.

In our opinion, the City of Centerville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Centerville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Centerville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-E-11 and III-F-11 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part III of the accompanying Schedule of Findings and Questioned Costs as items III-A-11, III-B-11, III-C-11 and III-D-11 to be significant deficiencies.

City of Centerville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Centerville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Peak & Co., LLP
Certified Public Accountants

March 1, 2012

City of Centerville
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Two material weakness and four significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Centerville did not qualify as a low-risk auditee.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 **Record Retention** – It does not appear the City has policies and procedures in place to ensure that all documentation is obtained and/or retained by the City.

In relation to grants, instances were noted where the City did not retain copies of claim forms, grant and contract agreements, reports, letters from the State of Iowa, miscellaneous forms and other documentation.

In relation to construction activities, instances were noted where the City did not retain copies of construction change orders, bonds, proof of insurance, bid tabulations, agreements and other documentation.

Recommendation – The City implement procedures to ensure that all documentation related to City business is obtained and retained.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- II-B-11 **Financial Reporting** – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply appropriate accounting principles.

Conclusion – Response accepted.

- II-C-11 **Segregation of Duties - Airport** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. In addition, vouchers are processed, checks are written, and disbursements recorded on the accounting system are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Airport should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The Airport should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

- II-D-11 Airport Procedures – No evidence could be located that the airport performed monthly bank reconciliations during the fiscal year. In addition, the airport accounting records for fiscal year 2011 were inaccurate and incomplete. In addition, some airport accounting records appeared to be intentionally deleted by the airport manager.

The airport buys fuel in bulk and resells the fuel to its customers. However, it does not appear the airport has procedures in place to provide assurance that all fuel bought for resale is either on hand, sold to customers, or used by the airport on airport equipment.

The airport collects most of its monies from the rental of its facilities and from fuel sales. Documentation supporting these collections was inadequate to determine the amount of monies which should have been collected and deposited to the airport bank account.

The airport grants credit to its customers for fuel sales. At the end of every month, the airport then bills the customers for the balance due. It would appear that it would be more efficient if the airport discontinued this practice and required that all fuel sales be charged to the purchaser's credit card.

Recommendation – The airport perform monthly bank reconciliations and ensure the accounting records are accurate, complete and retained. In addition, the airport needs to implement procedures to provide assurance that all fuel is accounted for properly.

Procedures should be implemented to ensure monies received by the airport from rent and fuel sales are properly collected and deposited to the bank account. In addition, the airport should analyze if it is cost and time effective to continue to grant credit to its customers for fuel sales.

Response – We will review these issues.

Conclusion – Response accepted.

- II-E-11 Emergency Levy – The balance in the Emergency Fund was not transferred to the General Fund, as required by Chapter 384.8 of the Code of Iowa.

Recommendation - The City transfer the balance in the Emergency Fund to the General Fund as required by the Code of Iowa.

Response – This will be implemented in fiscal year 2012.

Conclusion – Response accepted.

- II-F-11 Fire Service Call Receipt Procedures – There does not appear to be procedures in place to ensure all monies are billed and collected from fire department related service calls.

Recommendation – The City implement procedures to ensure all monies due the City are actually received by the City, including monies from fire department related service calls.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

II-G-11 Receipts – Instances were noted where the City and Library did not always deposit receipts on a timely basis. To help ensure security and accountability over receipts, all receipts should be deposited timely.

Recommendation – The City and the Library should implement procedures to ensure all receipts are deposited on a timely basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

II-H-11 Preparation of Schedule of Federal Awards – Through review of the City's grant activity and the process of gathering information for required reporting, we determined that there is a need for improvement in the procedures related to the preparation of the Schedule of Expenditure of Federal Awards (SEFA), including the accuracy of the CFDA numbers and the accuracy and completeness of expenditure amounts reported on the SEFA. The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. As a result, the schedule contained errors and omissions.

Recommendation – We recommend the City create a process and designate an individual to track and accurately report all information required to be included on the SEFA.

Response and Corrective Action Planned – We will attempt to implement this recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRI-002, 10-ED-003, 08-DRI-269

Federal Award Year: 2008, 2010

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-A-11 Council Minutes – Some Council minutes, and related claims, including claims paid with Community Development Block Grant funds, were not timely published in the newspaper, as required by Chapter 372.13 (6) of the Code of Iowa.

Recommendation – The City should implement procedures to ensure all City Council minutes and related claims are timely published in the newspaper as required by the Code of Iowa.

Response and Corrective Action Planned – This will be implemented in the future.

Conclusion – Response accepted.

III-B-11 Preparation of Schedule of Federal Awards – The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. See item II-H-11.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRI-002, 08-DRI-269

Federal Award Year: 2008

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-C-11 Subrecipient Monitoring – The City entered into agreements with a Regional Planning Commission and a Council of Governments (administrative entities) to administer grant programs 08-DRI-269 and 08-DRI-002, respectively. When the City enters into such agreements, the City effectively passes down all federal requirements of the program to the administrative entities, except for approving final reports and requesting funds. The agreements do not identify the administrative entities as a subrecipient when, in fact, the administrative entities become a subrecipient and must comply with Community Development Block Grant (CDBG) program and OMB Circular A-133 requirements upon entering into the agreements. In addition, upon entering into the agreements, the City is responsible for monitoring the administrative entities for compliance with CDBG and OMB Circular A-133 requirements.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

The City has not advised the administrative entities that they become subrecipients upon execution of agreements in which the administrative entities agree to administer the programs. In addition, the City has not performed any subrecipient monitoring procedures as required under OMB Circular A-133 in relation to the administrative entities.

Recommendation – The City should develop and implement policies and procedures to ensure the administrative entities are aware of the subrecipient relationship created when they enter into subrecipient agreements to administer the programs. In addition, the City should implement procedures to ensure that all subrecipients are monitored as required by OMB Circular A-133.

Response and Corrective Action Planned – We will contact the Iowa Department of Economic Development for guidance in relation to this.

Conclusion – Response accepted.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRI-002

Federal Award Year: 2008

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-D-11 Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing, or hold a public hearing, on the storm water project in accordance with the requirements of Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – To ensure compliance with the Code of Iowa, before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response and Corrective Action Planned – We will publish the appropriate notices and hold a public hearing in the future as required.

Conclusion – Response accepted.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRI-269

Federal Award Year: 2008

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-E-11 Engineer Procurement – The City did not request competitive proposals for the selection of the engineer on a storm water project. Instead, the City procured the engineering firm through sole source procurement for this project.

The Department of Economic Development (DED) Management guide requires that the DED approve, in advance, sole source procurement for contracts or purchases valued at \$25,000 or more. The engineer in question will be paid more than \$25,000 for this project.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Recommendation – In the future, the City should implement procedures to ensure the DED Management guide is followed in relation to sole source procurement. In addition, the City should work with the DED in order to resolve this situation.

Response and Corrective Action Planned – We had asked the DED, in advance of the engineer selection, to approve a sole source procurement in advance. We have located a letter from the City to the DED asking that the DED approve this request. However, neither the City nor the DED can find any additional documentation from DED either approving or denying this request.

We will work with the DED to resolve this issue.

Conclusion – Response accepted.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 10-ED-003
Federal Award Year: 2008
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

III-F-11 Grant Administrator Procurement – The grant administrator for the economic development set-aside grant was a private contractor. However, the City did not request competitive proposals for the selection of the grant administrator for this project. Instead, the City procured the grant administrator through sole source procurement for this project.

The Department of Economic Development (DED) Management guide requires that the City obtain competitive proposals in relation to the selection of a grant administrator.

Recommendation – In the future, the City should implement procedures to ensure the DED Management guide is followed in relation to sole source procurement. In addition, the City should work with the DED in order to resolve this situation.

Response and Corrective Action Planned – The DED told us to select this private contractor. We will contact the DED again in relation to this issue.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, public works, culture and recreation and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City’s budget amendment was not amended by May 31 as required by Chapter 24.9 of the Code of Iowa. The City’s budget was actually amended on June 20, 2011 for fiscal year 2011.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the budget should be amended in accordance with the Code of Iowa requirements.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- IV-B-11 Questionable Disbursements – A certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
Iowa Insurance Division	Penalty for late filing 509A Report	\$1,215

According to the opinion, it is possible for such a disbursement to meet the test of serving a public purpose under certain circumstances, although such item will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The Council will continue to review and monitor disbursements for public purpose.

Conclusion – Response accepted.

- IV-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

- IV-D-11 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rob Lind, Council Member Owner of Centerville Greenhouse	Supplies	\$ 521
Ron Creagan, Street Commissioner Owner of R&A Auto	Equipment	\$ 600

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the above individuals do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not, except that some interfund transfers were not approved by the City Council.

We noted that some Council minutes, and related claims, were not timely published as required by Chapter 372.13 (6) of the Code of Iowa.

The City has also established an airport commission, by ordinance. However, during the year, several airport commission minutes and related airport claims were not published in the newspaper.

Recommendation – The City should ensure that all interfund transfers are approved by the City Council, and that all City Council minutes and related claims are timely published as required per the Code of Iowa. In addition, all airport commission minutes and related airport claims should be published in the newspaper.

Response – We will implement these recommendations.

Conclusion - Response accepted.

- IV-G-11 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted, except that at times during the year the cash in bank amount exceeded the deposit resolution amount at one bank. In addition, the Special Revenue, Local Option Sales Tax Fund and the Special Revenue, Urban Renewal Tax Increment Fund did not receive any bank interest, even though is required by Chapter 12C.9 of the Code of Iowa.

Recommendation – The City implement procedures to ensure compliance with the Code of Iowa in relation to the City's depository resolution. Specifically, the deposit resolution amount should exceed the cash in bank balances at all times. In addition, the Special Revenue, Local Option Sales Tax Fund and the Special Revenue, Urban Renewal Tax Increment Fund should receive bank interest as required by the Code of Iowa.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Response – The above issues were an oversight on our part. We will implement the above recommendations.

Conclusion – Response accepted.

- IV-H-11 Payroll – Payroll costs of non-road related activities are charged to the Special Revenue, Road Use Tax Fund. Chapter 312.6 of the Code of Iowa states that funds received from the State of Iowa for road purposes shall only be used for any purpose relating to the construction, maintenance, and supervision of the public streets.

Recommendation - The City should review its procedures regarding payroll cost allocations to ensure compliance with the Code of Iowa.

Response - We will review and implement these recommendations.

Conclusion - Response accepted.

- IV-I-11 Airport – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and required retention in this manner to include an image of both the front and back of each check. The airport retains cancelled checks through electronic image, but did not consistently obtain an image of the back of each cancelled check as required.

In some instances, airport invoices were not cancelled.

Recommendation – The airport should obtain and retain an image of both the front and back of each cancelled check. Also, all airport invoices should be cancelled.

Response – We are now obtaining an image of both the front and back of each cancelled check. Also, all airport invoices will be cancelled in the future.

Conclusion - Response accepted.

- IV-J-11 Library – Some library invoices were not cancelled after payment. The Board President does not consistently sign the list of approved bills.

Recommendation – All library invoices should be cancelled after payment and the Board President should sign the list of approved bills.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- IV-K-11 Compliance Issues – The City paid for approximately \$9,000 in costs from the Special Revenue, Employee Benefits Fund which were not related to employee benefits. The Code of Iowa requires that only employee benefit costs be paid for from the Special Revenue, Employee Benefits Fund.

The City's liability tax levy appears to be excessive given the amount of liability insurance costs paid for by the City. The Code of Iowa only allows a City to establish a liability insurance tax levy up to the amount needed for applicable liability insurance costs. It would not appear that the Code of Iowa allows a City to levy a tax for liability insurance purposes in order to fund the general operations of the City.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Bank interest income earned on perpetual care funds was credited to the Permanent, Cemetery Perpetual Care Fund. Chapter 523I.508 of the Code of Iowa requires that interest earned on cemetery perpetual care monies be used for the maintenance of the cemetery. Costs for cemetery maintenance are currently charged to the City's General Fund.

Recommendation – The City implement procedures to ensure all costs charged to the Special Revenue, Employee Benefits Fund are for employee benefits, and that the tax levy for liability insurance be established at a rate which approximates the applicable liability insurance costs paid for by the City.

In addition, interest earned on perpetual care funds should be credited to the City's General Fund.

Response – We will implement the above recommendations.

Conclusion – Response accepted.

IV-L-11 **Financial Condition** – As documented in Note 12 in the Notes to the Financial Statements, the Debt Service Fund, the Enterprise, Storm Sewer Fund, the Capital Projects, Airport Construction Fund, and the Internal Service, Flex Plan Fund all had deficit balances at June 30, 2011.

Recommendation – The City should monitor the above funds in order to eliminate these deficits.

Response – We will monitor these funds and attempt to implement this recommendation.

Conclusion – Response accepted.

IV-M-11 **Timeliness/Accuracy/Monitoring of Reports** – The City has to complete multiple reports to be filed with the State of Iowa. In addition, there are multiple reports the City has to analyze to ensure City funds are accounted for properly, and to ensure contractual requirements are met. Our review of these reports noted the following concerns:

- a) The I-Jobs reports, due to the State of Iowa on a quarterly basis, have not been filed in over a year.
- b) The City has not received any reports from the School or the Appanoose County Railroad in regards to how they spend the local option sales tax monies they receive from the City. The agreements with these entities require these entities account for the local option sales tax monies they receive from the City.
- c) The City did not file the actuarial opinion report with the State of Iowa on a timely basis. As a result, the City paid a penalty of \$1,215 to the State of Iowa because of the lack of timely filing of this report.
- d) There appears to be no internal procedures in place to ensure all reinsurance money due to the City from the City's reinsurance health insurance carrier is properly received by the City.
- e) The State of Iowa Street Finance report did not include some costs incurred on road related activities, as required by the State of Iowa.
- f) The outstanding debt report filed with the State of Iowa was filed three weeks late. In addition, the amounts included on this outstanding debt report were materially inaccurate.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

- g) The City had not filed for reimbursement on a federal grant received from the Federal Aviation Administration (FAA). For the past year, the City has incurred and paid over \$15,000 in costs to a private vendor on this project; however, the City has not filed a claim for reimbursement from the FAA on this project.
- h) The City is still waiting on approximately \$18,000 in disaster monies due from the State of Iowa for reimbursement for a 2007 presidential disaster. It is unclear why the City has not been more aggressive in following up on this issue.
- i) The Annual Financial Report was filed with the State of Iowa three weeks late. This report was due on December 1, 2011 for the fiscal year ended June 30, 2011. However, this report was not filed until the end of December.

Recommendation – The City implement procedures to ensure all reports due to the State of Iowa are timely filed and are accurate. Also, procedures should be implemented to ensure all monies due to the City are received on a timely basis. In addition, procedures should be implemented to ensure all reports due to the City from the various entities are obtained as required.

Response – We have or will implement all these recommendations.

Conclusion – Response accepted.

- IV-N-11 Release of Claim – The City has not obtained release of claim forms from the Centerville Community School District and Appanoose County in relation to disputed payment in lieu of tax monies. It appears that over a year ago the City has met the terms of the agreements with the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies. However, the City has still not obtained release of claim forms from these entities in relation to this issue.

Recommendation – The City implement procedures to ensure release of claim forms are obtained from the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies.

Response – We are in the process of implementing this recommendation.

Conclusion – Response accepted.

- IV-O-11 Bid Procedures – For the flush tank project, the newspaper publication on December 9 indicated that sealed bids on this project would be accepted until December 30. On December 21, the engineer issued an addendum indicating that the revised sealed bid deadline date on this same project was January 13. However, this revised sealed bid deadline date was not published in the newspaper.

Chapter 26 of the Code of Iowa requires that sealed bids be obtained for projects which meet the sealed bid criteria. Sealed bids were required to be obtained for this project. It would appear that by failing to publish in the newspaper the revised sealed bid deadline date, the City violated the intent of Chapter 26 of the Code of Iowa.

In addition, in fiscal year 2012, the City completed a street repair project for over \$400,000 for which a public hearing was not held and sealed bids were not obtained, even though this is required by Chapter 26 of the Code of Iowa.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

For a Community Development Block Grant storm sewer project, the City did not properly publish a notice of public hearing and hold the public hearing as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – The City implement procedures to ensure that the Code of Iowa requirements are met in relation to obtaining sealed bids and holding a public hearing on applicable construction projects.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- IV-P-11 Purchasing Policy – The City’s revised purchasing policy dated June 7, 2010, implies that a purchase of products and materials in excess of \$10,000 can be purchased by the department heads without the City Council’s prior approval if the department has the funds in its budget in order to cover the related cost. In addition, it appears that the City’s department heads have always had the authority to purchase products and materials which cost less than \$10,000 without the City Council’s prior approval.

Recommendation – The City Council should establish an appropriate maximum dollar amount that a department head could purchase without the City Council’s prior approval, regardless if the purchase was in the City budget. In addition, the City should implement procedures to ensure department heads follow this policy.

Response – We will review this area in detail to come up with a workable solution.

Conclusion – Response accepted.

- IV-Q-11 Tax Increment Financing (TIF) – It appears the City has certified debt for TIF projects which were paid for from sources other than from TIF receipts. City officials were not aware of this situation, and were subsequently unable to explain why this occurred. As a result, it would appear the City will eventually receive more tax increment financing receipts than the related TIF debt. Therefore, it would appear that the City will not be in compliance with the related TIF requirements as outlined in the Code of Iowa.

Recommendation – The City should work with the County Auditor and consult legal counsel to resolve the above situation.

Response – We will implement this recommendation.

Conclusion – Response accepted.

City of Centerville
 Corrective Action Plan for Federal Audit Findings
 Year Ended June 30, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-11	Council Minutes	We will review this and will be implemented in the future.	Kim Crego City Clerk (641) 437-4339	Immediately
III-B-11	Preparation of Schedule of Federal Awards	This will be implemented for fiscal year 2012.	Kim Crego City Clerk (641) 437-4339	June 30, 2012
III-C-11	Subrecipient Monitoring	This will be implemented on future contracts with subrecipients. We will also implement monitoring procedures of our subrecipients.	Kim Crego City Clerk (641) 437-4339	Immediately
III-D-11	Notice of Public Hearing for Public Improvements	This will be implemented on future public improvements.	Kim Crego City Clerk (641) 437-4339	Immediately
III-E-11	Engineer Procurement	This will be implemented on future engineer procurements.	Kim Crego City Clerk (641) 437-4339	Immediately
III-F-11	Grant Administrator Procurement	This will be implemented on future grant administrator procurements.	Kim Crego City Clerk (641) 437-4339	Immediately

City of Centerville
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

None – There were no audit findings related to federal funds in the prior audit.